



FOREIGN DIRECT INVESTMENT AND EXCHANGE RATE VOLATILITY: EVIDENCE FROM FOUR EAST ASIAN COUNTRIES

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DECLARATION OF ORIGINAL WORK

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Hereby, declare that,

- ✓ This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.
- ✓ This project paper is the result of my independent work and investigation, except where otherwise stated.
- ✓ All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____

Date: _____

LETTER OF SUBMISSION

31st December 2016

Miss Nurulashikin binti Romli,
Faculty of Business Management,
Universiti Teknologi MARA, 85009
Segamat,
Johor Darul Takzim.

Dear Miss,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “**FOREIGN DIRECT INVESTMENT AND EXCHANGE RATE VOLATILITY: EVIDENCE FROM FOUR EAST ASIAN COUNTRIES**” to fulfill the requirement as needed by Faculty of Business and Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,

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ABSTRACT

This paper examines the relationship between Foreign Direct Investment (FDI) and selected macroeconomic determinants such as Exchange Rate Volatility, Inflation Rate and Trade Openness. It is found that exchange rate volatility and trade openness have significant relationships towards FDI meanwhile inflation rate shows insignificant relationship towards FDI. Secondary data was collected from World Development Indicator (WDI) website from year 2006 to 2014 which contain annually data from four East Asian countries namely Malaysia, China, Thailand and the Philippines. The sample data comprises of total 36 observations in this paper. The researcher used the well-known software Eviews8 in order to run the model and estimate the regression. Besides, this paper also employed the Breusch- Godfrey Serial Correlation LM test, Autoregressive Conditional Heteroscedasticity (ARCH) test, Jarque- Bera test, Normality test and more thus encountered that there is no serious multicollinearity problem, no autocorrelation, no heteroscedasticity, and error term is normally distributed hence model is correctly specified. These practical results help potential investors to correlate the relationships of selected macroeconomic variables proxy to FDI and assisting in their decision making.

Keywords: *Foreign Direct Investment (FDI), Exchange Rate Volatility, Inflation Rate, Trade Openness, Malaysia, Thailand, China, the Philippines.*